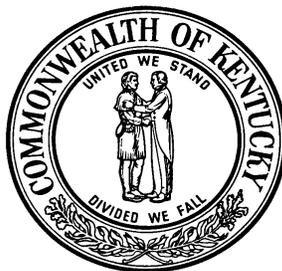


**REPORT OF THE AUDIT OF THE  
SIMPSON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2011**



**ADAM H. EDELEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

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FRANKFORT, KY 40601-1817  
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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administrative Cabinet  
Honorable Jim Henderson, Simpson County Judge/Executive  
Members of the Simpson County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Simpson County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Simpson County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Adam H. Edelen  
Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE SIMPSON COUNTY FISCAL COURT**

**June 30, 2011**

Tichenor & Associates, LLP has completed the audit of the Simpson County Fiscal Court for fiscal year ended June 30, 2011. We have issued unqualified opinions, based on our audit and the report of the other auditors, on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Simpson County, Kentucky.

#### **Financial Condition:**

The fiscal court had total net assets of \$9,882,230 as of June 30, 2011. The fiscal court had unrestricted net assets of \$2,353,892 in its governmental activities as of June 30, 2011, with total net assets of \$9,842,903. In its business-type activities, total net cash and cash equivalents were \$32,727 with total net assets of \$39,327. The fiscal court's discretely presented component unit had net assets of \$427,299 as of June 30, 2011. The discretely presented component unit had net cash and cash equivalents of \$142,435. The fiscal court had total debt principal as of June 30, 2011 of \$10,080,045 with \$804,423 due within the next year.

#### **Deposits:**

The fiscal court and component unit deposits were insured and collateralized by bank securities or bonds.



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**TICHENOR & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Jim Henderson, Simpson County Judge/Executive  
Members of the Simpson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Simpson County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Simpson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Simpson County Tourism Commission, a discretely presented component unit, which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Simpson County Tourism Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

As described in Note 1, Simpson County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Simpson County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Jim Henderson, Simpson County Judge/Executive  
Members of the Simpson County Fiscal Court

The county has implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The Simpson County Fiscal Court has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Simpson County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2011 on our consideration of Simpson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

September 23, 2011

SIMPSON COUNTY OFFICIALS

For The Year Ended June 30, 2011

**Fiscal Court Members:**

Jim Henderson	County Judge/Executive
Kelly Banton	Magistrate
Larry Randolph	Magistrate
Marty Chandler	Magistrate
Blake Tarpley	Magistrate

**Other Elected Officials:**

Sam Phillips	County Attorney
Eric Vaughn	Jailer
Bobby C. Phillips, Jr.	County Clerk
Jan J. Murphree	Circuit Court Clerk
Chris Cline	Sheriff
Pam Womack	Property Valuation Administrator
Gary Crafton	Coroner

**Appointed Personnel:**

Julie Freeman	County Treasurer
Nicole Law	Finance Officer/Occupational Tax Administrator
Cathy Witt	Jail Administrative Assistant/Bookkeeper

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**SIMPSON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**



**SIMPSON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Simpson County Tourism Commission
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 2,580,141	\$ 32,727	\$ 2,612,868	\$ 142,435
Receivables				30,549
Total Current Assets	<u>2,580,141</u>	<u>32,727</u>	<u>2,612,868</u>	<u>172,984</u>
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation:				
Land and Land Improvements	1,567,463		1,567,463	74,500
Buildings	11,089,839		11,089,839	111,419
Other Equipment	659,172	6,600	665,772	64,960
Vehicles and Equipment	800,655		800,655	3,935
Infrastructure	3,225,678		3,225,678	
Total Noncurrent Assets	<u>17,342,807</u>	<u>6,600</u>	<u>17,349,407</u>	<u>254,814</u>
Total Assets	<u>19,922,948</u>	<u>39,327</u>	<u>19,962,275</u>	<u>427,798</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Bonds Payable	701,970		701,970	
Financing Obligations Payable	102,453		102,453	
Payroll Taxes Payable				499
Total Current Liabilities	<u>804,423</u>		<u>804,423</u>	<u>499</u>
Noncurrent Liabilities:				
Bonds Payable	8,514,898		8,514,898	
Financing Obligations Payable	760,724		760,724	
Total Noncurrent Liabilities	<u>9,275,622</u>		<u>9,275,622</u>	
Total Liabilities	<u>10,080,045</u>		<u>10,080,045</u>	<u>499</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	7,262,762	6,600	7,269,362	254,814
Restricted For:				
Debt Service	226,249		226,249	
Unrestricted	2,353,892	32,727	2,386,619	172,485
Total Net Assets	<u>\$ 9,842,903</u>	<u>\$ 39,327</u>	<u>\$ 9,882,230</u>	<u>\$ 427,299</u>

The accompanying notes are an integral part of the financial statements.

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**SIMPSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**

**SIMPSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

<b>Functions/Programs Reporting Entity</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,689,308	\$ 352,257	\$ 684,608	\$ 80,010
Protection to Persons and Property	3,130,666	1,750,383	368,400	
General Health and Sanitation	358,931	11,064		
Social Services	25,726			
Recreation and Culture	398,488			
Roads	714,803		1,430,590	
Debt Service	679,803			
Capital Projects	102,564			
Total Governmental Activities	<u>8,100,289</u>	<u>2,113,704</u>	<u>2,483,598</u>	<u>80,010</u>
Business-type Activities:				
Jail Canteen	186,311	156,960		
Total Business-type Activities	<u>186,311</u>	<u>156,960</u>		
Total Primary Government	<u>\$ 8,286,600</u>	<u>\$ 2,270,664</u>	<u>\$ 2,483,598</u>	<u>\$ 80,010</u>
<b>Component Units:</b>				
Simpson County Tourism Commission	\$ 172,104	\$	\$	\$
Total Component Units	<u>\$ 172,104</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**General Revenues:**

Taxes:  
Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Occupational Taxes  
Other Taxes  
Excess Fees  
Miscellaneous Revenues  
Accrued Interest Received

Total General Revenues  
Change in Net Assets  
Net Assets - Beginning (Restated)  
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**SIMPSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Totals	Simpson County Tourism Commission
\$ (1,572,433)	\$	\$ (1,572,433)	\$
(1,011,883)		(1,011,883)	
(347,867)		(347,867)	
(25,726)		(25,726)	
(398,488)		(398,488)	
715,787		715,787	
(679,803)		(679,803)	
(102,564)		(102,564)	
(3,422,977)		(3,422,977)	
	(29,351)	(29,351)	
	(29,351)	(29,351)	
(3,422,977)	(29,351)	(3,452,328)	
			(172,104)
			\$ (172,104)
936,973		936,973	
207,318		207,318	
157,626		157,626	
1,732,780		1,732,780	
458,182		458,182	152,962
669,717		669,717	
138,747		138,747	30,377
16,954		16,954	898
4,318,297		4,318,297	184,237
895,320	(29,351)	865,969	12,133
8,947,583	68,678	9,016,261	415,166
\$ 9,842,903	\$ 39,327	\$ 9,882,230	\$ 427,299

The accompanying notes are an integral part of the financial statements.

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**SIMPSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

**SIMPSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Justice Center Corporation Fund</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,812,600	\$ 415,681	\$ 119,356	\$ 226,249
Total Assets	<u>1,812,600</u>	<u>415,681</u>	<u>119,356</u>	<u>226,249</u>
<b>FUND BALANCES</b>				
<b>Restricted For:</b>				
Debt Service				226,249
<b>Assigned To:</b>				
Protection to Persons and Property			119,356	
Roads		415,681		
<b>Unassigned</b>	<u>1,812,600</u>			
Total Fund Balances	<u>\$ 1,812,600</u>	<u>\$ 415,681</u>	<u>\$ 119,356</u>	<u>\$ 226,249</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 2,580,141
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	23,830,783
Accumulated Depreciation	(6,487,976)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(863,177)
Bonds	<u>(9,216,868)</u>
Net Assets Of Governmental Activities	<u>\$ 9,842,903</u>

The accompanying notes are an integral part of the financial statements.

**SIMPSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2011**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 6,255	\$ 2,580,141
<u>6,255</u>	<u>2,580,141</u>
	226,249
6,255	125,611
	415,681
	<u>1,812,600</u>
<u>\$ 6,255</u>	<u>\$ 2,580,141</u>

The accompanying notes are an integral part of the financial statements.

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**SIMPSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

**SIMPSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Justice Center Corporation Fund</u>
<b>REVENUES</b>				
Taxes	\$ 3,316,095	\$	\$	\$
In Lieu Tax Payments	39,275			
Excess Fees	86,685			
Licenses and Permits	162,278	11,064		
Intergovernmental	1,045,019	1,342,825	1,760,243	390,396
Charges for Services	1,385		86,523	
Miscellaneous	303,708	3,165	134,252	
Interest	8,871	1,537	1,761	4,785
Total Revenues	<u>4,963,316</u>	<u>1,358,591</u>	<u>1,982,779</u>	<u>395,181</u>
<b>EXPENDITURES</b>				
General Government	2,465,785			
Protection to Persons and Property	643,077		1,745,863	
General Health and Sanitation	353,557			
Social Services	25,726			
Recreation and Culture	389,184			
Roads	56,500	972,486		
Debt Service:				
Principal	35,442	45,000	320,625	
Interest	11,912	12,277	246,644	306,442
Capital Projects	10,770	91,794		
Administration	458,970	110,118	394,735	48,807
Total Expenditures	<u>4,450,923</u>	<u>1,231,675</u>	<u>2,707,867</u>	<u>355,249</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>512,393</u>	<u>126,916</u>	<u>(725,088)</u>	<u>39,932</u>
<b>Other Financing Sources (Uses)</b>				
Bond Proceeds				6,000,000
Bond Discount				(53,721)
Payment to Escrow Agent				(210,000)
Payment to Refunded Bond Escrow Agent				(5,550,000)
Transfers From Other Funds			482,323	
Transfers To Other Funds	(690,794)			
Total Other Financing Sources (Uses)	<u>(690,794)</u>		<u>482,323</u>	<u>186,279</u>
Net Change in Fund Balances	(178,401)	126,916	(242,765)	226,211
Fund Balances - Beginning (Restated)	1,991,001	288,765	362,121	38
Fund Balances - Ending	<u>\$ 1,812,600</u>	<u>\$ 415,681</u>	<u>\$ 119,356</u>	<u>\$ 226,249</u>

The accompanying notes are an integral part of the financial statements.

**SIMPSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$ 137,509	\$ 3,453,604
	39,275
	86,685
	173,342
128,134	4,666,617
	87,908
30,099	471,224
	16,954
<u>295,742</u>	<u>8,995,609</u>
	2,465,785
382,139	2,771,079
	353,557
	25,726
	389,184
	1,028,986
	401,067
	577,275
	102,564
125,856	1,138,486
<u>507,995</u>	<u>9,253,709</u>
<u>(212,253)</u>	<u>(258,100)</u>
	6,000,000
	(53,721)
	(210,000)
	(5,550,000)
208,471	690,794
	(690,794)
<u>208,471</u>	<u>186,279</u>
(3,782)	(71,821)
10,037	2,651,962
<u>\$ 6,255</u>	<u>\$ 2,580,141</u>

The accompanying notes are an integral part of the financial statements.

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**SIMPSON COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**SIMPSON COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

Net Change in Fund Balances - Total Governmental Funds	\$ (71,821)
--	-------------

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	1,610,535
Depreciation Expense	(804,461)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Bond Proceeds	(6,000,000)
Payment to Refunded Bond Escrow Agent	5,550,000
Financing Obligations Payments	100,442
Bond Payments	<u>510,625</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 895,320</u></u>
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**SIMPSON COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2011**



**SIMPSON COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 32,727
Total Current Assets	32,727
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	8,250
Less Accumulated Depreciation	(1,650)
Total Noncurrent Assets	6,600
Total Assets	39,327
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	6,600
Unrestricted	32,727
Total Net Assets	\$ 39,327

The accompanying notes are an integral part of the financial statements.

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**SIMPSON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**SIMPSON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 148,424
Total Operating Revenues	148,424
<b>Operating Expenses</b>	
Cost of Sales	4,061
Educational and Recreational	1,731
Inmate Benefits	14,797
Personnel Costs	20,000
Depreciation	1,650
Miscellaneous	14,874
Total Operating Expenses	57,113
Operating Income (Loss)	91,311
<b>Nonoperating Revenues (Expenses)</b>	
Inmate Pay From State	8,536
Inmate Refunds	(129,198)
Total Nonoperating Revenues (Expenses)	(120,662)
Change In Net Assets	(29,351)
Total Net Assets - Beginning (Restated)	68,678
Total Net Assets - Ending	\$ 39,327

The accompanying notes are an integral part of the financial statements.

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**SIMPSON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**SIMPSON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts from Customers	\$ 148,424
Cost of Sales	(4,061)
Inmate Benefits	(14,797)
Personnel Costs	(20,000)
Educational and Recreational	(1,731)
Miscellaneous	(14,874)
Net Cash Provided By Operating Activities	92,961
<b>Cash Flows From Noncapital Financing Activities</b>	
Inmate Pay From State	8,536
Inmate Refunds on Accounts	(129,198)
Net Cash Provided By Noncapital Financing Activities	(120,662)
<b>Cash Flows From Capital and Related Financing Activities</b>	
Capital Assets Purchased	(8,250)
Net Cash (Used) Provided By Capital and Related Financing Activities	(8,250)
Net Increase (Decrease) in Cash and Cash Equivalents	
	(35,951)
Cash and Cash Equivalents - July 1, 2010 (Restated)	68,678
Cash and Cash Equivalents - June 30, 2011	\$ 32,727
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	\$ 91,311
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	1,650
Net Cash Provided By Operating Activities	\$ 92,961

The accompanying notes are an integral part of the financial statements.

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**SIMPSON COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**



**SIMPSON COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>Agency Fund</b>
	<b>Flex Spending Account</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 3,502
Total Assets	3,502
<b>Liabilities</b>	
Amounts Held In Custody For Others	3,502
Total Liabilities	3,502
<b>Net Assets</b>	
Total Net Assets	\$ 0

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The Simpson County Tourism Commission is a discretely presented component unit of Simpson County, Kentucky and its financial statements are presented in accordance with the modified cash basis of accounting. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Simpson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Blended Component Units**

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

Simpson County Justice Center Corporation

Simpson County Justice Center Corporation (Corporation) is a legally separate entity established for the purpose of construction of the Simpson County Judicial Center and the related long-term debt service. The Corporation's governing body consists entirely of fiscal court members. Therefore, the Fiscal Court is financially accountable and legally obligated for the debt of the Simpson County Justice Center Corporation. Financial information for the Simpson County Justice Center Corporation is blended within Simpson County's financial statements. All activities of the Corporation are accounted for within a major (debt service) fund.

Discretely Presented Component Units

The financial data of the Simpson County Tourism Commission is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Units" to emphasize these organizations' separateness from the fiscal court's primary government.

Simpson County Tourism Commission

Simpson County Fiscal Court established the Simpson County Tourism Commission (Commission) pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Simpson County. The Commission is composed of seven members appointed by the Simpson County Judge/Executive with the approval of the Fiscal Court. Five members are appointed by the County Judge/Executive from lists submitted by third parties. Two members are appointed at-large by the County Judge/Executive. The Commission's governing body is substantially different from the Fiscal Court. However, the Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Commission's major source of revenue is transient room tax. On March 31, 2002, the Fiscal Court enacted an ordinance imposing a transient room tax.

The Fiscal Court currently collects "3% of the rent for every occupancy of a suite, room or rooms, charged by all persons, companies, corporations or other like similar persons, groups or organizations doing business as motor courts, motels, hotels, inns, or like or similar accommodations businesses." The Commission is to annually submit a request for funds to the Fiscal Court. This fiscal dependency requires the Fiscal Court to include the Commission as a component unit. The Commission is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Commission is presented discretely.

Audited financial statements for the Simpson County Tourism Commission, a discretely presented component unit, may be requested by contacting the Simpson County Tourism Commission, PO Box 737, Franklin, Kentucky, 42135.

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Simpson County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Simpson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Simpson County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the County. The primary sources of revenue for this fund are reimbursements from the state government and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Justice Center Corporation Fund** - The purpose of this fund is to account for debt service requirements of the Mortgage Revenue Bonds, Series 2002 and Revenue Refunding Bonds, Series 2010. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

The primary government also has the following non-major fund: 911 Dispatch Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, and 911 Dispatch Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of significant restricted and/or committed revenue sources and expenditures that are legally restricted or committed for specific purposes.

**Debt Service Fund:**

The Justice Center Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payments of long-term debt principal and interest.

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The County's agency fund is used to account for monies held by the County in the Flex Spending Account for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Flex Spending Account - This fund accounts for funds received from employees, which are held until an employee is reimbursed for a reimbursable expense.

**Presentation of Component Units**

The financial statements present the following major discretely presented component unit: Simpson County Tourism Commission.

The component unit is presented in a separate column in the combined financial statements. It is also reported on the Statement of Net Assets and the Statement of Activities in a separate total column that is labeled as "Component Unit" to emphasize this organizations' separateness from the fiscal court's primary government.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investment (Continued)**

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, other equipment, vehicles and equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	\$ 25,000	10-75
Other Equipment	\$ 5,000	3-25
Vehicles and Equipment	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the County using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the County issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the County has designated the County Treasurer to carry out the intent of the Fiscal Court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the Fiscal Court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Budgetary Information (Continued)**

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the Fiscal Court does not approve the expenses of these funds.

The State Local Finance Officer does not require the Justice Center Corporation Fund to be budgeted because bond indentures require specific payments to and from this fund annually.

**J. Related Organizations, Joint Venture, and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria the following are considered related organizations of Simpson County Fiscal Court: Simpson County Water District and Franklin Simpson County Ambulance Service.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following is considered a joint venture of the Simpson County Fiscal Court: Franklin Simpson Parks Board, Inc.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the following are considered jointly governed organizations of the Simpson County Fiscal Court: Franklin Simpson Industrial Development Authority, Franklin Simpson Planning and Zoning Commission, and Franklin Simpson Planning and Zoning Adjustment Board.

**Note 2. Deposits**

The primary government and its discretely presented component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(D). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 2. Deposits (Continued)**

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the primary government's or its discretely presented component unit's deposits may not be returned. The primary government and its discretely presented component unit do not have deposit policies for custodial credit risk, but rather follow the requirements of KRS 41.240(4). As of June 30, 2011, the primary government's deposits were covered by FDIC insurance or a properly executed collateral security agreement.

As of June 30, 2011, all deposits of the discretely presented component unit were covered by FDIC insurance.

**Note 3. Capital Assets**

Capital asset activity of the primary government for the year ended June 30, 2011 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,507,463	\$ 60,000	\$	\$ 1,567,463
Total Capital Assets Not Being Depreciated	<u>1,507,463</u>	<u>60,000</u>		<u>1,567,463</u>
Capital Assets, Being Depreciated:				
Buildings	14,829,080	358,230		15,187,310
Other Equipment	1,150,720	62,336		1,213,056
Vehicles and Equipment	1,371,170	564,443		1,935,613
Infrastructure	3,361,815	565,526		3,927,341
Total Capital Assets Being Depreciated	<u>20,712,785</u>	<u>1,550,535</u>		<u>22,263,320</u>
Less Accumulated Depreciation For:				
Buildings	(3,749,655)	(347,816)		(4,097,471)
Other Equipment	(489,445)	(64,439)		(553,884)
Vehicles and Equipment	(922,208)	(212,750)		(1,134,958)
Infrastructure	(522,207)	(179,456)		(701,663)
Total Accumulated Depreciation	<u>(5,683,515)</u>	<u>(804,461)</u>		<u>(6,487,976)</u>
Total Capital Assets, Being Depreciated, Net	<u>15,029,270</u>	<u>746,074</u>		<u>15,775,344</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,536,733</u>	<u>\$ 806,074</u>	<u>\$ 0</u>	<u>\$ 17,342,807</u>

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 186,452
Protection to Persons and Property	353,680
General Health and Sanitation	5,374
Recreation and Culture	9,304
Roads, Including Depreciation of General Infrastructure Assets	<u>249,651</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 804,461</u></u>

Capital asset activity for Business-Type Activities for the year ended June 30, 2011 was as follows:

	<u>Reporting Entity</u>			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	
<u>Business-Type Activities:</u>				
Capital Assets Being Depreciated:				
Equipment	\$	\$ 8,250	\$	\$ 8,250
Total Capital Assets Being Depreciated		8,250		8,250
Less Accumulated Depreciation For:				
Equipment		(1,650)		(1,650)
Total Accumulated Depreciation		(1,650)		(1,650)
Total Capital Assets, Being Depreciated, Net		6,600		6,600
Business-Type Activities Capital Assets, Net	<u>\$ 0</u>	<u>\$ 6,600</u>	<u>\$ 0</u>	<u>\$ 6,600</u>

Depreciation expense was charged to functions of the Business-Type Activities as follows:

Business-Type Activities

Jail Canteen Fund	<u>\$ 1,650</u>
 Total Depreciation Expense - Business-Type Activities	 <u><u>\$ 1,650</u></u>

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Capital asset activity of the discretely presented component unit for the year ended June 30, 2011 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 74,500	\$	\$	\$ 74,500
Total Capital Assets Not Being Depreciated	74,500			74,500
Capital Assets, Being Depreciated:				
Buildings	171,415			171,415
Other Equipment	82,931	3,592		86,523
Vehicles and Equipment	26,674			26,674
Total Capital Assets Being Depreciated	281,020	3,592		284,612
Less Accumulated Depreciation For:				
Buildings	(54,282)	(5,714)		(59,996)
Other Equipment	(15,792)	(5,770)		(21,562)
Vehicles and Equipment	(21,290)	(1,450)		(22,740)
Total Accumulated Depreciation	(91,364)	(12,934)		(104,298)
Total Capital Assets, Being Depreciated, Net	189,656	(9,342)		180,314
Capital Assets, Net	\$ 264,156	\$ (9,342)	\$ 0	\$ 254,814

Depreciation expense was charged to functions of the discretely presented major component unit as follows:

Simpson County Tourism Commission	\$ 12,934
Total Depreciation Expense - Component Unit	\$ 12,934

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Interfund Transfers**

The table below shows the interfund transfers for fiscal year 2011.

	Transfers In	Transfers Out General Fund
Jail Fund		\$ 482,323
Non-Major		208,471
Total Transfers Out		\$ 690,794

Reason for transfers:

1) to move resources from the General Fund, for budgetary purposes, to the fund that will expend them.

**Note 5. Long-term Debt**

**A. Mortgage Revenue Bonds, Series 2002**

Simpson County Justice Center Corporation, an agency and instrumentality of the Simpson County Fiscal Court created on March 20, 2001, issued Simpson County Justice Center Corporation First Mortgage Revenue Bonds, Series 2002, on July 1, 2002, for the purpose of acquisition, construction, installation, and equipping of the Simpson County Judicial Center. On July 10, 2002, \$7,460,000 of bonds was issued at various interest rates with accrued interest of \$7,778. The Corporation has entered into an agreement to lease the Simpson County Judicial Center to the Simpson County Fiscal Court for the amount of the bond payments. The Simpson County Fiscal Court has a sublease with Administrative Office of the Courts, Commonwealth of Kentucky, for approximately 100 percent of the Simpson County Judicial Center. These bonds were paid off with the advanced refunding of Justice Center Corporation First Mortgage Revenue Refunding Bonds, Series 2010.

**B. Refunding Revenue Bonds, Series 2004**

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. The authority issued the bonds on October 1, 2004, for the purpose of advanced refunding of all the outstanding Revenue Bonds, Series 1994 and paying the associated costs of issuing the bonds. The maturity date of the bonds is October 1, 2014. As of June 30, 2011, bonds outstanding were \$96,868. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2012	\$ 21,970	\$ 5,608
2013	23,404	4,127
2014	24,933	2,548
2015	26,561	867
Totals	\$ 96,868	\$ 13,150

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**C. General Obligation Public Project Refunding Bonds, Series 2010**

On June 3, 2010, the Simpson County Fiscal Court issued \$3,610,000 of General Obligation Public Project Refunding Bonds, Series 2010, for the purpose of advanced refunding of the Detention Facility Improvement Bonds, Series 2000. The maturity date of the bonds is September 1, 2021. As of June 30, 2011, bonds outstanding were \$3,330,000. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Principal</u>	<u>Scheduled</u> <u>Interest</u>
2012	\$ 260,000	\$ 88,000
2013	265,000	80,781
2014	275,000	73,356
2015	285,000	65,656
2016	295,000	57,681
2017-2021	1,600,000	160,875
2022	<u>350,000</u>	<u>4,813</u>
Totals	<u>\$ 3,330,000</u>	<u>\$ 531,162</u>

**D. Justice Center Corporation First Mortgage Revenue Refunding Bonds, Series 2010**

On October 28, 2010, Simpson County Justice Center Corporation, an agency and instrumentality of the Simpson County Fiscal Court created on March 20, 2001, issued \$6,000,000 of First Mortgage Revenue Refunding Bonds, Series 2010, for the purpose of advanced refunding of all outstanding Mortgage Revenue Bonds, Series 2002 and paying the associated costs of issuing the bonds. The maturity date of the bonds is March 1, 2023. As of June 30, 2011, bonds outstanding were \$5,790,000. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Principal</u>	<u>Scheduled</u> <u>Interest</u>
2012	\$ 420,000	\$ 151,118
2013	420,000	146,918
2014	435,000	138,518
2015	445,000	129,818
2016	455,000	120,918
2017-2021	2,500,000	407,900
2022-2023	<u>1,115,000</u>	<u>53,760</u>
Totals	<u>\$ 5,790,000</u>	<u>\$ 1,148,950</u>

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**E. Fire Substations**

On November 2, 2001, the Simpson County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the construction of fire substations. The principal was \$250,000 at various interest rates for a period of 15 years, interest paid monthly and principal paid annually. The maturity date of the obligation is November 20, 2016. As of June 30, 2011, the principal balance was \$110,109. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2012	\$ 17,679	\$ 4,404
2013	18,795	3,638
2014	19,982	2,826
2015	21,243	1,963
2016	22,584	1,046
2017	<u>9,826</u>	<u>152</u>
Totals	<u>\$ 110,109</u>	<u>\$ 14,029</u>

**F. Detention Facility Renovation and Addition**

On April 18, 2002, The Simpson County Fiscal Court entered into an agreement with the Kentucky Area Development Districts Financing Trust. The agreement was for the purpose of additional financing of the detention facility renovation and addition. The principal was \$500,000 at variable interest rates for a period of 21 years, interest paid semi-annually and principal paid annually. The maturity date of the obligation is June 1, 2023. As of June 30, 2011, the principal balance was \$355,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2012	\$ 20,000	\$ 19,500
2013	25,000	18,498
2014	25,000	17,160
2015	25,000	15,823
2016	25,000	14,485
2017-2021	160,000	48,640
2022-2023	<u>75,000</u>	<u>6,403</u>
Totals	<u>\$ 355,000</u>	<u>\$ 140,509</u>

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**G. Gravel Road Project**

On October 28, 2005, the Simpson County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the paving of several county roads. The principal was \$450,000 at 3.95 percent interest for a period of ten years, interest is paid monthly and principal is paid annually. The maturity date is July 20, 2015. As of June 30, 2011, the principal balance was \$250,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2012	\$ 45,000	\$ 10,169
2013	50,000	7,826
2014	50,000	5,468
2015	55,000	2,894
2016	50,000	226
Totals	<u>\$ 250,000</u>	<u>\$ 26,583</u>

**H. Fire Truck 2007**

On November 27, 2007, the Simpson County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a fire truck. The principal was \$210,000 at 4.397 percent interest for a period of ten years, interest paid monthly and principal paid annually. The maturity date of the obligation is December 20, 2017. As of June 30, 2011, the principal balance was \$148,067. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2012	\$ 19,774	\$ 6,085
2013	20,786	5,238
2014	21,849	4,348
2015	22,967	3,412
2016	24,142	2,429
2017-2018	38,549	1,688
Totals	<u>\$ 148,067</u>	<u>\$ 23,200</u>

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**I. Changes In Long-term Liabilities**

Long-term liability activity of the primary government for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 3,610,000	\$	\$ 280,000	\$ 3,330,000	\$ 260,000
Revenue Bonds	5,667,493	6,000,000	5,780,625	5,886,868	441,970
Financing Obligations	963,619		100,442	863,177	102,453
				<u>863,177</u>	<u>102,453</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 10,241,112</u>	<u>\$ 6,000,000</u>	<u>\$ 6,161,067</u>	<u>\$ 10,080,045</u>	<u>\$ 804,423</u>

**Note 6. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$44,669 in interest on financing obligations and \$532,607 in interest on bonds and notes.

**Note 7. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Implementation

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 33.25 percent.

The county's contribution for FY 2009 was \$433,501, FY 2010 was \$487,877, and FY 2011 was \$660,353.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 8. Insurance**

For the fiscal year ended June 30, 2011, Simpson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Deferred Compensation**

In October 2009, the Simpson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

**SIMPSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 9. Deferred Compensation (Continued)**

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 10. Related Party Transactions**

The County entered into the following related party transactions, which were approved by the Fiscal Court:

The County expended \$2,026 with Chandler Farm Service for mower parts. County Magistrate Marty Chandler is a part owner of Chandler Farm Service.

The County expended \$1,353 with The Trophy Shop for name plates and plaques. County Magistrate Kelly Banton owns The Trophy Shop.

**Note 11. Prior Period Adjustments**

Beginning Net Assets for the Governmental Activities has been restated for the prior year due to voided checks. The effect of this change is an increase of \$2,408.

Beginning Fund Balance for the General Fund has been restated for the prior year due to voided checks of \$1,881. The effect of this change is an increase of \$1,881 in the General Fund.

Beginning Fund Balance for the Jail Fund has been restated for the prior year due to voided checks and an error made for a refunding bond. The effect of these changes is a decrease of \$3,379,473 in the Jail Fund.

Beginning Net Assets for the Jail Canteen and Fund Balance has been restated for the prior year due to voided checks. The effect of this change is an increase of \$818.

**Note 12. Change in Accounting Principles**

The Simpson County Fiscal Court implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type definitions which has altered the classifications of fund balance on the Balance Sheet - Governmental Funds. The implementation also resulted in one fund previously presented as a special revenue fund that no longer meets the definition to be rolled into the General Fund. As a result, beginning fund balance for the General Fund has been increased for the addition of the previously reported LGEA Fund. The effect of the change is an increase of \$52,878 in the General Fund.

**SIMPSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2011**



**SIMPSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2011**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 3,177,500	\$ 3,194,825	\$ 3,316,095	\$ 121,270
In Lieu Tax Payments	43,750	43,750	39,275	(4,475)
Excess Fees	52,566	52,566	86,685	34,119
Licenses and Permits	107,000	107,000	162,278	55,278
Intergovernmental Revenue	993,028	1,031,028	957,254	(73,774)
Charges for Services	2,000	2,000	1,385	(615)
Miscellaneous	204,134	204,134	303,708	99,574
Interest	11,500	11,500	8,580	(2,920)
<b>Total Revenues</b>	<b>4,591,478</b>	<b>4,646,803</b>	<b>4,875,260</b>	<b>228,457</b>
<b>EXPENDITURES</b>				
General Government	1,902,767	2,537,313	2,465,785	71,528
Protection to Persons and Property	725,509	757,319	643,077	114,242
General Health and Sanitation	333,711	365,811	353,557	12,254
Social Services	24,500	25,726	25,726	
Recreation and Culture	351,350	395,842	389,184	6,658
Debt Service	47,403	47,403	47,354	49
Capital Projects	38,400	40,470	10,770	29,700
Administration	536,797	466,978	458,970	8,008
<b>Total Expenditures</b>	<b>3,960,437</b>	<b>4,636,862</b>	<b>4,394,423</b>	<b>242,439</b>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	631,041	9,941	480,837	470,896
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(690,794)	(690,794)	(690,794)	
<b>Total Other Financing Sources (Uses)</b>	<b>(690,794)</b>	<b>(690,794)</b>	<b>(690,794)</b>	
Net Changes in Fund Balance	(59,753)	(680,853)	(209,957)	470,896
Fund Balance - Beginning (Restated)	59,753	680,853	1,938,123	1,257,270
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,728,166</u>	<u>\$ 1,728,166</u>

**SIMPSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
License and Permits	\$ 10,000	\$ 10,000	\$ 11,064	\$ 1,064
Intergovernmental Revenue	1,015,125	1,198,150	1,342,825	144,675
Miscellaneous	500	500	3,165	2,665
Interest	1,800	1,800	1,537	(263)
Total Revenues	<u>1,027,425</u>	<u>1,210,450</u>	<u>1,358,591</u>	<u>148,141</u>
<b>EXPENDITURES</b>				
Roads	731,494	982,011	972,486	9,525
Debt Service	57,280	57,280	57,277	3
Capital Projects	120,000	102,040	91,794	10,246
Administration	118,651	112,064	110,118	1,946
Total Expenditures	<u>1,027,425</u>	<u>1,253,395</u>	<u>1,231,675</u>	<u>21,720</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		<u>(42,945)</u>	<u>126,916</u>	<u>169,861</u>
Net Changes in Fund Balance		(42,945)	126,916	169,861
Fund Balance - Beginning		<u>42,945</u>	<u>288,765</u>	<u>245,820</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 415,681</u>	<u>\$ 415,681</u>

**SIMPSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>JAIL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 2,020,908	\$ 2,020,908	\$ 1,760,243	\$ (260,665)
Charges for Services	58,500	58,500	86,523	28,023
Miscellaneous	78,000	133,000	134,252	1,252
Interest	1,100	1,100	262	(838)
Total Revenues	<u>2,158,508</u>	<u>2,213,508</u>	<u>1,981,280</u>	<u>(232,228)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,739,524	1,813,229	1,745,863	67,366
Debt Service	424,980	424,980	412,460	12,520
Administration	476,327	457,622	394,735	62,887
Total Expenditures	<u>2,640,831</u>	<u>2,695,831</u>	<u>2,553,058</u>	<u>142,773</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(482,323)</u>	<u>(482,323)</u>	<u>(571,778)</u>	<u>(89,455)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	482,323	482,323	482,323	
Total Other Financing Sources (Uses)	<u>482,323</u>	<u>482,323</u>	<u>482,323</u>	
Net Changes in Fund Balance			(89,455)	(89,455)
Fund Balance - Beginning (Restated)			<u>208,811</u>	<u>208,811</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 119,356</u>	<u>\$ 119,356</u>

**SIMPSON COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2011**

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances**

Following is a summary of adjustments that convert the cash basis budgetary schedules to the modified cash basis of accounting used in the Statement of Revenues, Expenditures, and Changes in Fund Balances:

General Fund:

Budgetary Basis - Revenues	\$ 4,875,260
Plus: LGEA Fund Revenues	88,056
Modified Cash Basis	<u>\$ 4,963,316</u>
Budgetary Basis - Expenditures	\$ 4,394,423
Plus: LGEA Fund Expenditures	56,500
Modified Cash Basis	<u>\$ 4,450,923</u>
Budgetary Basis - Ending Fund Balance	\$ 1,728,166
Plus: LGEA Fund Balance	84,434
Modified Cash Basis	<u>\$ 1,812,600</u>

Jail Fund:

Budgetary Basis - Revenues	\$ 1,981,280
Plus: Interest Earned from Refunding Bond Activity	1,499
Modified Cash Basis	<u>\$ 1,982,779</u>
Budgetary Basis - Expenditures	\$ 2,553,058
Plus: Refunding Bond Activity	154,809
Modified Cash Basis	<u>\$ 2,707,867</u>

**SIMPSON COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2011**



**SIMPSON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

June 30, 2011

	<b>911 Dispatch Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 6,255</u>
Total Assets	<u>6,255</u>
<b>FUND BALANCES</b>	
<b>Assigned To:</b>	
Protection to Persons and Property	<u>6,255</u>
Total Fund Balances	<u>\$ 6,255</u>

The accompanying notes are an integral part of the financial statements.

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**SIMPSON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2011**



**SIMPSON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2011**

	<b>911</b>
	<b>Dispatch</b>
	<b>Fund</b>
	<u>          </u>
<b>REVENUES</b>	
Taxes	\$ 137,509
Intergovernmental	128,134
Charges for Services	<u>30,099</u>
Total Revenues	<u>295,742</u>
<b>EXPENDITURES</b>	
Protection to Persons and Property	382,139
Administration	<u>125,856</u>
Total Expenditures	<u>507,995</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(212,253)</u>
<b>Other Financing Sources (Uses)</b>	
Transfers In	<u>208,471</u>
Total Other Financing Sources (Uses)	<u>208,471</u>
Net Change in Fund Balances	(3,782)
Fund Balances - Beginning	<u>10,037</u>
Fund Balances - Ending	<u><u>\$ 6,255</u></u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



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Honorable Jim Henderson, Simpson County Judge/Executive  
Members of the Simpson County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Simpson County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated September 23, 2011. We did not audit the financial statements of the Simpson County Tourism Commission, a discretely presented component unit of the Simpson County Fiscal Court. Those financial statements were audited by other auditors whose report has been furnished to us. Simpson County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. This report does not include the results of the other auditor's testing of internal control over financial reporting on compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of Simpson County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Simpson County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Simpson County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Simpson County Fiscal Court's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Simpson County's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

September 23, 2011

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**SIMPSON COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2011**

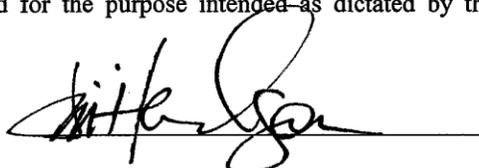
Appendix A



CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
SIMPSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

The Simpson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer

